

RETURN

(191a)

On a report from the Right Honourable the Prime Minister representing that on the 6th day of October, 1911, reference was made by the Prime Minister of the Province of British Columbia to previous correspondence with regard to the appointment of a competent tribunal to consider and report upon the claims of that Province for exceptional treatment by reason of permanent physical conditions and otherwise.

The Prime Minister observes that on the 22nd of January, 1912, an official telegram was sent to the Prime Minister of the Province to the following effect:—

‘Relying to your memorandum of the 6th November, 1911, respecting the claims of British Columbia for exceptional treatment by reason of permanent physical conditions and otherwise, we are prepared to appoint a Commission to investigate the merits of claims of your Province in this regard, one Commissioner to be appointed by this Government, one by your Government and the third to be selected by agreement of the two Commissioners, failing such agreement by the Secretary of State for the Colonies.’

The Prime Minister further observes that after discussion with the Prime Minister of British Columbia a conclusion has been reached that it is desirable to appoint the proposed Commission without further delay.

The Prime Minister therefore recommends that the Government of Canada join with the Government of British Columbia in the constitution of a Commission of three persons, one to be named by the Government of Canada, one by the Government of British Columbia, and the third to be selected by the two Commissioners, or failing such selection by the Secretary of State for the Colonies.

The Prime Minister further recommends that the said Commissioners be appointed under the provisions of the first part of the Inquiries Act, R.S. 1906, Cap. 104, for the purpose of inquiry and report into and upon the claims of British Columbia for exceptional treatment by reason of permanent physical conditions and otherwise, as such claims are set forth in a memorandum hereto attached which was submitted by the Government of British Columbia on the 10th day of October, 1906.

All of which is respectfully submitted.

MEMORANDUM RE BRITISH COLUMBIA'S CLAIMS FOR SPECIAL CONSIDERATION.

On behalf of the Government of British Columbia, I adhere to the general principle of the rights of the provinces to increased subsidies, and, therefore, support the resolution which has been submitted in favour of affirming the resolutions of the Quebec Conference, in so far as they are not inconsistent with or prejudicial to the claims of any particular province for additional recognition with respect to such matters as form the subject of those resolutions.

The Government of British Columbia cannot, however, accept them as a final and full settlement of its demands. There are special considerations in the case of British Columbia which involve additional recognition in its behalf. These considerations are set forth in the memorial presented to the Dominion Government last

year, a copy of which is herewith submitted,* and a resolution affirming the position of the provincial government was unanimously adopted by the legislature of the Province of British Columbia. The resolutions of the Conference of Quebec, which if carried into effect, would increase the subsidies already received by British Columbia, relatively speaking, leave it no better, if as well, off. This is obvious for two reasons:—

1st. Owing to the excessive contributions made by British Columbia to the federal treasury, as compared with other provinces, the province would pay an undue proportion of the amount of the increase in subsidies to all the provinces. A parallel in support of this is afforded in the allowance which was made at the time of confederation to certain provinces on account of the greater debt of other provinces, in the payment of which the people of all the provinces had to share. Our case is precisely similar now to that in which those provinces would have been had no such allowance been made.

2nd. The proposed increase in subsidies being largely based upon population, the special physical conditions which make the cost of government in the Province of British Columbia disproportionately great are not provided for.

Briefly, as set forth in the memorial of the Government of British Columbia, already referred to, 'The claims being presented by the other provinces for increased subsidies are similar in character to some of those of British Columbia, with this important distinction, that the reasons which alike give them foundation are greatly accentuated in the case of this province.'

A brief summary of the arguments in our case is herewith submitted:—

For a proper knowledge of the case, it is necessary to consider the conditions which existed at the time British Columbia entered confederation, and the mental attitude in which the terms of union between the province and the Dominion were framed. Public sentiment, as represented in Parliament, was prejudicial to more favourable terms being granted. A large section of Canada was utterly opposed to union with British Columbia on the terms under which the construction of a transcontinental railway was rendered obligatory. It was only upon grounds of large public policy of a national character—the rounding out of confederation—that their adoption was justified. It was almost universally conceded that the province, physically handicapped as it was, would not pay its way in confederation, and it was strongly contended that the construction of the Canadian Pacific Railway—the price asked by British Columbia—was too great a sacrifice on the part of the Dominion, and that the railway when built would prove unremunerative. Consequently the financial terms conceded to British Columbia were the least favourable possible.

A similar attitude towards British Columbia was maintained as long subsequently as 1884, when the Settlement Act was passed, whereby the outstanding differences between the provinces and the Dominion were finally adjusted. By the terms of the Settlement Act, the province, tired of delays and wearied with fruitless negotiations, agreed to transfer 3,500,000 acres of the best land in Peace River district in lieu of expenditures on the part of the Dominion, amounting in all to about \$1,100,000. These lands, worth now at the lowest valuation \$17,500,000, were parted with to secure a railway from Esquimalt to Nanaimo, costing less than \$30,000,000, which, under the Carnarvon terms, the Dominion Government has pledged itself to build without cost to the province. The value of such concession was not then foreseen. The Treaty of 1871, as revised in 1884, was made in misapprehension of the possibilities of British Columbia and the development to accrue from the building of the Canadian Pacific Railway.

The subsequent course of events was shown that British Columbia has not only paid its way in confederation, but has contributed in thirty-five years nearly \$19,000,-

* See Appendix, pages 15 to 39.

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000 to the federal treasury in excess of what it has received therefrom; that the Canadian Pacific Railway has been instrumental more than any other factor in building up Canada, with benefits vastly greater to eastern Canada than to British Columbia; and that the Settlement Act gave a realizable asset to the Dominion nearly twenty times greater than the expenditure which it involved.

The Government of British Columbia submits as incontrovertible that as the original and amended term of union having been based upon assumptions which have proved groundless, and as that the very opposite of what was anticipated has transpired, it is incumbent, in the light of developments which have actually taken place, upon the Dominion, morally and constitutionally, to now substitute fairer terms for those made perforce in anticipation of what did not happen.

This contention is strictly in line with what is promised in the resolution of the Quebec Conference of 1902, to the effect that at the time of the passing of the B.N.A. Act 'it was impossible to foresee the development of the Dominion,' and to provide in an unalterable and fixed way for the requirements of the various local governments for all time to come, except that the conditions are so peculiar and exceptional in the case of British Columbia as to demand exceptional consideration in the revision of financial terms now deemed necessary.

In the memorial presented by the Government of British Columbia to the Dominion authorities and in various letters and memoranda, the historical aspect of the case has been reviewed, and the reasons for special consideration given in extenso. In addition to the foregoing, it has been pointed out that there are certain conditions and physical disabilities, permanent in character, which accentuate the position of British Columbia considered in relation to the other provinces, and that abnormally increase the cost of administration in that province as compared with the average conditions of the rest of the Dominion, entailing as well disadvantages of commercial, industrial and political character. These are:—

1. The cost of administration, owing to the physical character of the country.
2. The distance from the commercial, industrial and administrative centres of eastern Canada.
3. The non-industrial character of the province, as compared with eastern Canada, whereby a large percentage of goods imported and consumed, increasing the contributions to the federal treasury, in the way of taxes in a ratio of three to one.
4. The disadvantages of the province in relation to the market for its special products.

Under the first head, it is pointed out and supported by tables filed in the official records of all the provinces that the physical conditions referred to seriously affect the cost of government under every head.

The following table, covering a period of thirty years of all the provinces, will sufficiently illustrate these contentions:—

Provinces.	Average Population for Thirty years.	Total Expenditure for Thirty years.	Average per head per year.
	\$	\$	\$
British Columbia.....	90,634	32,243,068	11 86
Manitoba.....	123,801	16,025,974	4 31
Prince Edward Island.....	104,062	9,179,906	2 94
Quebec.....	1,421,994	104,027,881	2 44
New Brunswick.....	314,802	20,381,060	2 16
Ontario.....	1,961,260	105,798,513	1 79
Nova Scotia.....	434,585	21,525,863	1 65
	4,451,138	309,182,264	2 32

British Columbia is a country, roundly speaking 900 miles in length and 500 miles in width, including an area of 381,000 square miles, extremely mountainous in character and settled in widely detached valleys with a sparse population. This involves an expenditure for government very much greater than in provinces which are compact and do not present the same peculiar conditions with which that province is confronted.

2. The geographical position of the province, though very important in one sense, is very disadvantageous in relation to the Dominion as a whole. We sell very little to eastern Canada on account of the nature of our products, and we buy very largely there for the same reason. Interprovincial trade was the material object in confederation. The province, therefore, having four per cent of the population pays eight per cent of the price of confederation, and gets in return one per cent of the trade (see table, page 8, memorial prepared by Mr. George Johnston, late Dominion Statistician).

3. The non-industrial character of the province accounts for the enormous contributions it has made to the federal treasury in proportion to the amount received in return. An elaborate statement of the account appears in the memorial referred to, which has been brought up to date, showing an excess of contributions over receipts amounting to nearly \$19,000,000. This is not submitted as an exact mathematical solution of financial relations, but is substantially accurate, and represents approximately the actual condition of affairs in respect to receipts and contributions. There is the further consideration that the population, which accrues directly to the benefit of the Dominion, accrues in the ratio of about three to one, as compared with the average benefits from population, in other sections of Canada.

4. The geographical position of the Dominion also handicaps it in relation to the products which it sells. This is true, for the most part, of foreign exports of lumber, of fish and of minerals, and of many other things that it is hoped to produce in the future, such as manufactures of iron and paper. For the most part, British Columbia sells in the markets of the world in competition with the world. It cannot sell in eastern Canada in competition with eastern manufactures owing to distance, and is thus handicapped in what it buys and what it sells.

Its geographical position has still further the effect of increasing the cost of consumption by imposts in the way of freight on goods which are imported from a supply centre of Canada and elsewhere.

In addition to the natural disadvantages under which the province has laboured, may fairly be cited the political disadvantages of a limited representation in Parliament and the long distance from the seat of government. Without reflection upon one administration at Ottawa more than another, the province, by reason of these handicaps, has not in the past received that consideration for its various wants that is extended to the people of eastern Canada, who have large representation and easy access to the capital.

Comparing the terms ceded to British Columbia and to the new provinces of Saskatchewan and Alberta, it is found in effect that when these provinces are in receipt of the total allowances to which they will be ultimately entitled per annum, the amount, in round numbers, will be \$2,250,000, while the total of British Columbia's allowance, when it has reached its maximum, will be less than \$500,000. It is not contended that the new provinces have received too much, but that British Columbia has received far too little. Alberta and Saskatchewan contain large, compact, arable areas presenting no physical difficulties or obstacles to development. While it may be said that in their case the lands and minerals belonged to the Dominion, if we take the case of British Columbia, with its public domain in its own right, the average of its receipts for the past thirty years on account of its natural resources has only been \$235,000 per annum, from which must be deducted the cost of administration, not less, at the present time, than \$100,000 per annum. It is submitted further that the readjustment of the subsidies every two and a half years, according to the increase

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of population ascertained by census taking, in our estimation, is another important advantage which the new provinces have over British Columbia. They obtain almost immediately in increased subsidy the benefit of increased population, while British Columbia, in which the increase of population is also very rapid, has to wait ten years for readjustment. There is therefore only one of two conclusions to be drawn from a comparison of the terms in the two cases; either the new provinces have been too generously endowed by the Dominion—which is not alleged—or British Columbia has received very inadequate consideration of its requirements.

The Government of British Columbia, in view of all the considerations which have been advanced in support of the claims of that province, reaffirms its position in regard to the desirability of a complete investigation by a competent tribunal of the merits of the provincial contention. It is, therefore, asked that a Commission be appointed consisting of three persons of eminent repute, one to be named by the Government of the Dominion of Canada, one by the Government of British Columbia, and the third by the Honourable the Secretary of State for the Colonies. It is asked that the reply of the Dominion Government be made definite and final within three months from the present time.

RICHARD McBRIDE,
Premier.

OTTAWA, October 9, 1906.

